OPINION OF ADVOCATE GENERAL JACOBS

delivered on 19 November 1998 *

1. Is a parallel importer entitled under Community law to use the trade mark which the proprietor uses in the importing State for identical goods, even though the mark differs from the mark under which the goods in question were put on the market by the proprietor in the exporting State? That, essentially, is the question referred by the Sø- og Handelsret (Maritime and Commercial Court), Denmark.

The facts and the main proceedings

2. The Upjohn group markets clindamycin, an antibiotic, in various forms throughout the Community. The name 'Dalacin C' is used in all Member States except Denmark, Germany and Spain, where 'Dalacin' is used, and France, where 'Dalacine' is used. Paranova A/S, a Danish company in the Paranova group, purchased clindamycin products (capsules and injection fluid) in France and Greece and, after repackaging, marketed them under the name Dalacin in Denmark where Upjohn SA Denmark, the Danish branch of a Belgian Upjohn subsidiary,[1] markets them under the trade mark Dalacin.

3. The Fogedret (Bailiff's Court), Ballerup, dismissed Upjohn's application for an interlocutory injunction prohibiting Paranova from marketing the products as Dalacin in Denmark. That ruling was reversed on appeal by the Østre Landsret (Eastern Regional Court). In proceedings for confirmation of the injunction, the Sø- og Handelsret has referred the following questions to the Court.

'1. Do Article 7 of Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks and/or Articles 30 and 36 of the EC Treaty preclude the proprietor of a trade mark from relying on its right under national trade-mark law as the basis for opposing a third party's purchasing a pharmaceutical product in a Member State, repackaging it in that third party's own packaging, to which it affixes trade mark X belonging to the trade-mark proprietor, and marketing the product

* Original language: English.

1 — 'Upjohn SA' has changed its name since the proceedings were commenced to 'Pharmacia & Upjohn SA'.

in another Member State, in the case where the pharmaceutical product in question is marketed by the trade-mark proprietor or with its consent in the Member State of purchase under trade mark Y and an identical pharmaceutical product is marketed by the trade-mark proprietor or with its consent in the abovementioned second Member State under trade mark X?

2. Does it have any bearing on the reply to Question 1 whether the trade-mark proprietor's use of different trade marks in the country in which the importer purchases the product and in that in which the importer sells the product is attributable to subjective circumstances particular to the trade mark proprietor? If the answer is yes, is the importer required to adduce evidence that the use of different trade marks is or was intended artificially to partition the markets (reference is made in this connection to the Court's judgment of 10 October 1978 in Case 3/78 *Centrafarm* v *American Home Products Corporation*)?

3. Does it have any bearing on the reply to Question 1 whether the trade-mark proprietor's use of different trade marks in the country in which the importer purchases the product and in that in which the importer sells the product is attributable to objective circumstances outside the control of the trade-mark proprietor, including, in particular, requirements of national health authorities or the trade-mark rights of third parties?'

4. Written and oral observations were submitted by Upjohn, Paranova, the Netherlands and United Kingdom Governments and the Commission.

The Community legal framework

5. The national court refers in its questions to Article 7 of the Trade Marks Directive [2] and/or Articles 30 and 36 of the EC Treaty.

6. Article 30 of the Treaty prohibits quantitative restrictions on imports in trade between Member States and measures equivalent in effect. According to the first sentence of Article 36 of the Treaty, Article 30 does not preclude prohibitions or restrictions which are justified on grounds of the protection of industrial or commercial property. The second sentence of Article 36 goes on to state that such prohibitions or restrictions must not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

2 — First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ 1988 L 40, p. 1.

7. It is clear that if a trade-mark owner is allowed to use his trade mark to prevent the importation and sale of goods that are lawfully on the market in another Member State, that will amount to a quantitative restriction or a measure having equivalent effect within the meaning of Article 30. Thus it is necessary — on the assumption that the Treaty provisions on the free movement of goods are applicable — to consider whether such action is justified on grounds of the protection of industrial and commercial property.

8. In a series of early cases on the application of Article 36 in relation to industrial and commercial property rights, the Court developed the principle, known as the exhaustion of rights, that the owner of such a right (including a trade mark) cannot invoke it in order to prevent the importation and sale of goods which have been placed on the market with his consent in another Member State. [3]

9. That principle is enshrined in Article 7 of the Directive, which provides as follows:

'1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.'

10. The question whether it is the Directive or the Treaty which applies to this case, which concerns goods put on the market under three distinct, albeit very similar, trade marks, has been addressed in the observations of Paranova, the Netherlands and United Kingdom Governments and the Commission.

11. Paranova submits that Article 7(1) of the Directive applies where a trade-mark owner uses in different Member States several marks with minor spelling variations for therapeutically identical pharmaceuticals. It argues that a broad interpretation of Article 7 would be in line with the fundamental principle of free movement of goods and the functioning of the internal market, both of which underlie the Directive. [4] In its view therefore the solution to this case may be found in Article 7(1) and the Court's earlier case-law on the Treaty provisions is irrelevant.

3 — See the cases cited in paragraph 22.

4 — See the first and third recitals in the preamble.

12. The Netherlands and United Kingdom Governments and the Commission share the view that the result in this case should be the same whether it is analysed in accordance with the Treaty or Article 7 of the Directive.

13. The Netherlands Government considers that it is for the national court to determine whether the questions should be decided on the basis of Article 7 of the Trade Marks Directive or Article 36 of the Treaty, in accordance with the dictum of the Court in *Loendersloot*. [5]

14. The United Kingdom states that, even if the trade-mark proprietor in this case is regarded as having exhausted his rights within the meaning of Article 7(1) of the Directive, Article 7(2) may give him grounds to oppose further commercialisation of the goods: the Court in *Bristol-Myers Squibb* [6] stated that its case-law under Article 36 must be taken as the basis for determining the extent of the trade-mark owner's right under Article 7(2).

15. The Commission, although it accepts that the question has little practical relevance since the result will be the same, suggests that the case should be decided by reference to the Treaty rather than the Directive: in its view, although the matter is not free from doubt, Article 7 applies only where the products are marketed under an identical trade-mark.

16. That view is perhaps unduly narrow. To my mind, there is some force in the submissions made by the United Kingdom Government at the hearing. The United Kingdom suggested that the term 'trade mark' was not necessarily used in a narrow linguistic sense in all provisions of the Directive, referring by way of illustration to Article 10(2)(a), which for certain purposes (consequences of failure by the proprietor to use a trade mark) equates 'use of the trade mark in a form differing in elements which do not alter the distinctive character of the mark' to use of the mark itself. More generally, it argued that there was in principle no good reason to exclude at least very similar marks from the scope of Article 7: to do so would limit that provision in a way in which other provisions of the Directive, for example that concerning confusion (Article 5(1)(b)), were not limited.

17. It is clear that the answer to the questions referred will in any event be the same whether the issue is analysed by reference to the Treaty provisions or Article 7. Admittedly, if a case clearly falls

5 — Case C-349/95 *Loendersloot* v *Ballantine* [1997] ECR I-6227, paragraph 18 of the judgment.

6 — Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb and Others* v *Paranova* [1996] ECR I-3457.

within the scope of Article 7, only the Directive should be considered. [7] There is however in my view no reason to suppose that the principles developed by the Court in its case-law under Articles 30 and 36 have been affected on this issue by the Directive: on the contrary, the Court has repeatedly affirmed that Article 36 of the Treaty and Article 7 of the Directive are to be interpreted in the same way. [8] The proposition is furthermore illustrated by the fact that in its most recent statement of the principles, given in three separate rulings delivered on the same day in cases raising closely related issues, the Court reached the same result on the basis of the same reasoning in one case on the basis of Article 7 interpreted in the light of Article 36 [9] and in the other two cases (where the Directive was not in point) on the basis of Article 36. [10] Here it may be sufficient to reply on the basis of both provisions in the same way.

The case-law of the Court of Justice

18. The issue before the Court in this case is the extent of the trade-mark owner's rights where a parallel importer affixes the trade mark which is used by the owner in the State of import but which differs from that used by the owner in the State of export. That issue was considered by the Court in *Centrafarm* v *American Home Products Corporation*. [11] In that case, the Court ruled that, although the trade-mark owner was *prima facie* justified in preventing the imported product from being marketed in such circumstances, where the trade-mark owner's practice of using different marks for the same product was intended to partition the markets artificially it would constitute a disguised restriction on intra-Community trade contrary to Article 36 for the owner to oppose the importer's intervention. [12]

19. According to Upjohn, its decision to give its products different names was taken not with a view to avoiding parallel imports and thus partitioning the markets but because a conflict with another mark made its original plan to use the same name for the product throughout the Community unworkable. It therefore had to add the suffix 'C' in most Member States; however that would have been unlawful in Denmark because of the possible misleading association with vitamin C. It has been suggested that the spelling was altered to 'Dalacine' in France to make pronunciation of the word in French closer to the English pronunciation of 'Dalacin'.

20. It is clear from the order for reference that what has prompted the national court

7 — *Bristol-Myers Squibb*, cited in note 6, paragraphs 25 to 26 of the judgment; Case C-352/95 *Phytheron International* v *Bourdon* [1997] ECR I-1729, paragraph 17.

8 — *Bristol-Myers Squibb*, cited in note 6, paragraph 40 of the judgment; Joined Cases C-71/94, C-72/94 and C-73/94 *Eurim-Pharm* v *Beiersdorf* [1996] ECR I-3603, paragraph 27; Case C-232/94 *MPA Pharma* v *Rhône-Poulenc Pharma* [1996] ECR I-3671, paragraph 13; Case C-337/95 *Parfums Christian Dior* v *Evora* [1997] ECR I-6013, paragraph 53; *Loendersloot* v *Ballantine*, cited in note 5, paragraph 18.

9 — *Bristol-Myers Squibb and Others* v *Paranova*, cited in note 6.

10 — *Eurim-Pharm* v *Beiersdorf*, and *MPA Pharma* v *Rhône-Poulenc Pharma*, both cited in note 8.

11 — Case 3/78 [1978] ECR 1823.

12 — Paragraphs 18 to 22 of the judgment; see further paragraph 26.

to seek guidance from this Court is in part its uncertainty as to whether *Centrafarm* v *American Home Products Corporation* is still good law in the light of the Court's more recent rulings in *Bristol-Myers Squibb*, *Eurim-Pharm* and *MPA Pharma*.[13] Specifically, the national court is unsure whether the apparent test of intent to partition markets laid down in *American Home Products* is still the relevant test where a trade-mark owner seeks to oppose the affixing of a different mark.

The early cases

21. The decision in *Centrafarm* v *American Home Products Corporation* cannot in my view be considered in isolation, since it is one of a series of cases in which the Court has developed a number of principles of Community trade-mark law.

22. As indicated above, the Court at an early stage formulated the principle that the owner of an industrial or commercial property right (including a trade mark) could not invoke it in order to prevent the importation and sale of goods which had been placed on the market with his consent in another Member State. That principle was first laid down in *Deutsche Grammophon* v *Metro*[14] in relation to copyright, in Centrafarm v *Winthrop*[15] in relation to trade marks and *Centrafarm* v *Sterling Drug*[16] in relation to patents. The articulation of the principle in relation to trade marks in *Centrafarm* v *Winthrop* was explained by Advocate General Capotorti in *Hoffmann-La Roche* v *Centrafarm* as 'prompted by the desire to eliminate any risk of the use of trade marks to establish artificial divisions within the common market'.[17]

23. Once the Court had established the principle of the exhaustion of rights, questions arose concerning its limits. Pharmaceutical products in particular were frequently packaged differently for different markets to comply with national regulations; parallel importers enjoying their freedom to import trade-marked goods sought to facilitate and improve their marketing of the goods by repackaging for the new market. The Court was first asked to address the issue of repackaging in *Hoffmann-La Roche* v *Centrafarm*, decided in May 1978. Although repackaging as such is not at issue in the case presently before the Court, it is useful to set out in full the relevant parts of the judgment in *Hoffmann-La Roche* v *Centrafarm* since it is essential background for an understanding of *American Home Products*.

13 — Cited in notes 6 and 8.

14 — Case 78/70 [1971] ECR 487, paragraph 13 of the judgment.

15 — Case 16/74 [1974] ECR 1183.

16 — Case 15/74 [1974] ECR 1147.

17 — Case 102/77 [1978] ECR 1139, page 1173.

24. In its judgment the Court observed that, while the Treaty did not affect the existence of industrial and commercial property rights recognised by the laws of a Member State, the exercise of those rights might nevertheless, depending on the circumstances, be restricted by the prohibitions contained in the Treaty. Inasmuch as it created an exception to one of the fundamental principles of the common market, Article 36 admitted of derogations from the free movement of goods only to the extent to which such exceptions were justified for the purpose of safeguarding the rights which constituted the specific subject-matter of the industrial and commercial property sought to be protected. [18] The Court then stated:

'In relation to trade marks, the specific subject-matter is in particular to guarantee to the proprietor of the trade mark that he has the exclusive right to use that trade mark for the purpose of putting a product into circulation for the first time and therefore to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that trade mark. In order to answer the question whether that exclusive right involves the right to prevent the trade mark being affixed by a third person after the product has been repackaged, regard must be had to the essential function of the trade mark, which is to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin. This guarantee of origin means that the consumer or ultimate user can be certain that a trade-marked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorisation of the proprietor of the trade mark, such as to affect the original condition of the product. The right attributed to the proprietor of preventing any use of the trade mark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trade mark right.

It is accordingly justified under the first sentence of Article 36 to recognise that the proprietor of a trade mark is entitled to prevent an importer of a trade-marked product, following repackaging of that product, from affixing the trade mark to the new packaging without the authorisation of the proprietor.

It is, however, necessary to consider whether the exercise of such a right may constitute a "disguised restriction on trade between Member States" within the meaning of the second sentence of Article 36. Such a restriction might arise, *inter alia*, from the proprietor of the trade mark putting onto the market in various Member States an identical product in various packages while availing himself of the rights inherent in the trade mark to prevent repackaging by a third person even if it were done in such a way that the identity of origin of the trade-marked product and its original condition could not be affected. ...

Where the essential function of the trade mark to guarantee the origin of the product is ... protected, the exercise of his rights by

18 — Paragraph 6 of the judgment.

the proprietor of the trade mark in order to fetter the free movement of goods between Member States may constitute a disguised restriction within the meaning of the second sentence of Article 36 of the Treaty if it is established that the use of the trade-mark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between Member States.' [19]

25. Shortly after the reference was made in *Hoffmann-La Roche*, the Court was asked in *Centrafarm* v *American Home Products* [20] to rule in a case where the importer sought not merely to repackage but also to affix a different trade mark. In essence, the facts were similar to those at issue in the present case: American Home Products was the proprietor of the trade marks Seresta, registered in Benelux, and Serenid D, registered in the United Kingdom, both in respect of tranquillisers with identical therapeutic properties which it marketed in the Netherlands as Seresta and in the United Kingdom as Serenid D. Centrafarm purchased tranquillisers in the United Kingdom and marketed them in the Netherlands in new packaging and under the mark Seresta. American Home Products sought an order prohibiting such conduct; the Court was asked whether Articles 30 and 36 prevented the trade-mark owner from asserting his rights under national law to oppose such marketing.

26. The Court delivered its judgment in October 1978, five months after *Hoffmann-La Roche* v *Centrafarm*. The Court's judgment started by following very closely that in the earlier case: paragraphs 7 to 11 echo virtually verbatim paragraph 6 and the first sentence of paragraph 7 in the judgment in *Hoffmann-La Roche*, set out above. The terms of the judgments diverge thereafter to reflect the fact that *American Home Products* concerned the affixing of a different trade mark rather than repackaging. The Court stated that the essential function of the trade mark, namely the guarantee of origin, would be jeopardised if a third party were permitted to affix the mark to the product, and that the right granted to the proprietor to prohibit any unauthorised affixing of his mark to his product consequently came with the specific subject-matter of the trade mark. [21] The proprietor was accordingly justified pursuant to the first sentence of Article 36 in opposing the parallel importer's intervention. [22] The Court continued:

'Nevertheless it is still necessary to consider whether the exercise of that right may constitute a "disguised restriction on trade between Member States" within the meaning of the second sentence of Article 36.

In this connection it should be observed that it may be lawful for the manufacturer of a product to use in different Member

19 — Paragraphs 7 to 10 of the judgment.
20 — Cited in note 11.
21 — Paragraphs 14 and 17 of the judgment.
22 — Paragraph 18 of the judgment.

States different marks for the same product.

Nevertheless it is possible for such a practice to be followed by the proprietor of the marks as part of a system of marketing intended to partition the markets artificially.

In such a case the prohibition by the proprietor of the unauthorised affixing of the mark by a third party constitutes a disguised restriction on intra-Community trade for the purposes of the abovementioned provision.

It is for the national court to settle in each particular case whether the proprietor has followed the practice of using different marks for the same product for the purpose of partitioning the markets.' [23]

27. The Court thus distinguished between situations in which a parallel importer sought to affix a different mark and those in which an importer sought to repackage: in the latter situation the trade-mark owner's *prima facie* right to rely on his trade-mark rights to oppose the parallel importer's intervention will be defeated 'if it is established that the use of the trade-mark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between Member States', while in the former the Court merely stated that the right would be defeated if the trade-mark owner's practice of using different marks were followed 'as part of a system of marketing intended to partition the markets artificially'.

28. It seems clear that the difference in the formulation was deliberate, since the relevance of intention was specifically addressed by the parties in *American Home Products* (although it is interesting to note that most commentators at the time apparently considered that the word 'artificial' in the test laid down in *Hoffmann-La Roche* meant that the Court required some intention to partition the markets [24]). The question whether the objective test laid down by *Hoffmann-La Roche* should be changed to a subjective test in the light of *American Home Products* was raised in a subsequent case, *Pfizer* v *Eurim-Pharm.* [25] The Court did not rule on that question. [26] Advocate General Capotorti, however, proffered the

23 — Paragraphs 19 to 23 of the judgment.

24 — See F. Castillo de la Torre, 'Trade marks and free movement of pharmaceuticals in the European Community: to partition or not to partition the market', *European Intellectual Property Review*, 1997, 304, at p. 306.

25 — Case 1/81 [1981] ECR 2913.

26 — See paragraph 14 of the judgment.

following explanation for the different test laid down in *American Home Products*:

'With regard to this precedent, the Commission has rightly pointed out that the circumstances were special, in so far as the same undertaking was the proprietor, in the various Member States, of different trade marks for a single product. In such circumstances, the exercise of the trade-mark right inevitably has the effect of partitioning the national markets and therefore, on the basis of the objective criterion adopted in the judgment in *Hoffmann-La Roche* v *Centrafarm*, the proprietor of the parallel trade marks would ultimately find himself, in the light of Community law, in a position where he could never lawfully exercise his right. To avoid this excessively restrictive result, the Court took the view that in such circumstances it is not appropriate to speak of a disguised restriction on intra-Community trade except where the practice, adopted by or under the direction of the same proprietor, of using different trade marks for the same product in the various Member States is indicative of a plan to partition the markets.' [27]

29. If the objective criteria laid down in *Hoffmann-La Roche* still applied in their original form, it may be that that explanation would still hold. However, the principles established by the Court in *Hoffmann-La Roche*, and in particular the criterion that the trade-mark owner's use of his trade-mark rights would contribute to the artificial partitioning of the markets, have recently been further developed by the Court in *Bristol-Myers Squibb*.

27 — Pages 2934 and 2935 of the Opinion.

The effect of Bristol-Myers Squibb and the related cases

30. Bristol-Myers Squibb and the two related cases [28] concerned the right of a parallel importer to repackage imported pharmaceutical products. The Court was asked a number of detailed questions about the extent of the repackaging permitted in such circumstances. It was also specifically asked to address the relevance of the trade-mark owner's intention to partition the markets. [29] It is again useful to set out in full the relevant parts of the Court's judgment in *Bristol-Myers Squibb*. Its judgments in the other two cases are to the same substantive effect.

31. In *Bristol-Myers Squibb* the Court first referred to the early cases and restated the basic principle of the exhaustion of rights. [30] After making the point that '[t]rade-mark rights are not intended to allow their owners to partition national markets and thus promote the retention of

28 — Cited in notes 6 and 8.

29 — See, for example, Question 3 in *Bristol-Myers Squibb* and Question 2 in *Eurim-Pharm*.

30 — Paragraphs 42 to 45 of the judgment.

price differences which may exist between Member States',[31] it reiterated the principles laid down in *Hoffmann-La Roche* concerning the essential function and the specific subject-matter of the trade mark.[32] It concluded its review of the earlier case-law with the statement that it 'must ... be clarified further in the light of the arguments raised in these cases'.[33] The Court continued:

'*Artificial partitioning of the markets between Member States*

Reliance on trade-mark rights by their owner in order to oppose marketing under that trade mark of products repackaged by a third party would contribute to the partitioning of markets between Member States in particular where the owner has placed an identical pharmaceutical product on the market in several Member States in various forms of packaging, and the product may not, in the condition in which it has been marketed by the trade-mark owner in one Member State, be imported and put on the market in another Member State by a parallel importer.

The trade-mark owner cannot therefore oppose the repackaging of the product in new external packaging when the size of packet used by the owner in the Member State where the importer purchased the product cannot be marketed in the Member State of importation by reason, in particular, of a rule authorising packaging only of a certain size or a national practice to the same effect, sickness insurance rules making the reimbursement of medical expenses depend on the size of the packaging, or well-established medical prescription practices based, *inter alia*, on standard sizes recommended by professional groups and sickness insurance institutions.

...

The power of the owner of trade-mark rights protected in a Member State to oppose the marketing of repackaged products under the trade mark should be limited only in so far as the repackaging undertaken by the importer is necessary in order to market the product in the Member State of importation.

Finally, contrary to the argument of the plaintiffs in the main actions, the Court's use of the words "artificial partitioning of the markets" does not imply that the importer must demonstrate that, by putting an identical product on the market in varying forms of packaging in different Member States, the trade-mark owner deliberately sought to partition the markets between Member States. By stating that the

31 — Paragraph 46 of the judgment.

32 — Paragraphs 47 and 48 of the judgment.

33 — Paragraph 51 of the judgment.

partitioning in question must be artificial, the Court's intention was to stress that the owner of a trade mark may always rely on his rights as owner to oppose the marketing of repackaged products when such action is justified by the need to safeguard the essential function of the trade mark, in which case the resultant partitioning could not be regarded as artificial.' [34]

32. The Court concluded by considering a number of other requirements with which the parallel importer seeking to repackage must comply. The first two conditions are designed to safeguard the essential function of the trade mark as a guarantee of origin: the repackaging must not affect the original condition of the product [35] and the new packaging must clearly state who repackaged the product and the name of the manufacturer. [36] Third, the Court noted that the trade-mark owner had a legitimate interest, related to the specific subject-matter of the trade-mark right, in being able to oppose the marketing of a repackaged product where its presentation was liable to damage the reputation of the trade mark and of its owner. [37] Fourth, the importer must give notice to the trade-mark owner before the repackaged product is put on sale, and, on demand, supply him with a specimen of the repackaged product. [38]

34 — Paragraphs 52, 53, 56 and 57 of the judgment.

35 — Paragraphs 58 to 66 of the judgment.

36 — Paragraphs 67 to 74 of the judgment.

37 — Paragraphs 75 to 77 of the judgment.

38 — Paragraph 78 of the judgment.

33. In all three decisions the Court went on to rule that the effect of Article 7(2) of the Trade Marks Directive or Article 36 of the Treaty was that the trade-mark owner may legitimately oppose the further marketing of a pharmaceutical product where the importer has repackaged the product and reaffixed the trade mark unless *inter alia*:

'it is established that reliance on trade-mark rights by the owner in order to oppose the marketing of repackaged products under that trade mark would contribute to the artificial partitioning of the markets between Member States; such is the case, in particular, where the owner has put an identical pharmaceutical product on the market in several Member States in various forms of packaging, and the repackaging carried out by the importer is necessary in order to market the product in the Member State of importation, and also carried out in such conditions that the original condition of the product cannot be affected by it; that condition does not, however, imply that it must be established that the trade-mark owner deliberately sought to partition the markets between Member States; ...' [39]

34. The Court in *Bristol-Myers Squibb* thus further clarified the circumstances in which the proprietor of a trade mark may rely on his trade-mark rights to oppose repackaging by a parallel importer: such reliance is not permitted where it contributes to the artificial partitioning of the markets and

39 — Paragraph 79 and operative part of the judgment. There are other conditions concerning the repackaging which are not at issue in this case.

where the repackaging takes place in such a way that the legitimate interests of the trade-mark owner are observed. Protection of those legitimate interests means in particular that the original condition of the product must not be affected and that the repackaging is not done in such a way that it may damage the reputation of the mark and its owner; the importer must moreover comply with the requirements as to informing the trade-mark owner of the repackaging, supplying him with a specimen of the repackaged product and stating on that product the person responsible for the repackaging. [40] There will be no artificial partitioning where action by the trade-mark owner is needed to safeguard the essential function of the mark.

35. The scope of a parallel importer's right to repackage where the trade-mark owner markets goods in different forms of packaging in different Member States is, since *Bristol-Myers Squibb*, now governed by a body of coherent and clearly articulated principles hinging on objective factors. In my view, it would be anomalous and illogical for the scope of the importer's right to affix a different trade mark where the trade-mark owner markets goods under different marks in different Member States to continue to be governed by a separate set of principles dependent upon the subjective element of intention. I consider therefore that the new criteria laid down by the Court in *Bristol-Myers Squibb* for repackaging by the parallel importer should be applied equally to such cases. That result is to my mind correct as a matter of principle for a number of reasons, to which I now turn.

The relevance of intention

36. A continued requirement of intention is undesirable on several grounds.

37. First, it would be inconsistent with the express basis of the recent case-law, which now embodies a coherent set of principles. In particular, it is clear from the judgment in *Bristol-Myers Squibb* that the Court deliberately rejected the notion of intention as an element in the test to be applied. The Court explained that the concept of artificial partitioning of the markets, introduced at an early stage in its case-law, meant that the trade-mark owner could always rely on his rights to oppose marketing by a parallel importer when such action was justified by the need to safeguard the essential function of the trade mark, in which case the resultant partitioning could not be regarded as artificial. [41] Moreover the Court made it clear that the trade-mark owner may also oppose the marketing of repackaged products where their presentation is liable to

40 — See *Loendersloot*, cited in note 5, paragraphs 28 to 30 of the judgment.

41 — Paragraph 57 of the judgment, set out above at paragraph 31.

damage the reputation of the mark or of its owner.[42] I can see no reason why the need to safeguard the essential function of the mark and prevent damage to reputation should not be the critical test in other areas where the trade-mark owner is seeking to rely on his rights to oppose marketing.

38. If a trade-mark owner were permitted to rely on his trade-mark rights in order to oppose parallel imports where there was no threat to the essential function of the mark or to its reputation and where (as in the circumstances of the present case) he would be unable to do so in the absence of different marks, he would in so doing necessarily be using the marks to partition the markets. It would to my mind be anomalous and artificial to require evidence of intention in the context of such conduct, nor does such an element appear to be warranted by the language of Article 36. As I stated in my Opinion in *Bristol-Myers Squibb*:

'If a trade-mark owner takes advantage of a situation that has arisen as a result of circumstances outside his control and relies on his trade mark in order to exclude parallel imports even though the exclusion of such imports is not necessary on grounds of trade-mark protection, his conduct must amount to an abusive exercise of the trade mark and a disguised restriction on trade.'[43]

39. For the same reasons, the factors which led the trade-mark owner to use different marks in the importing and exporting States are not to my mind relevant to the question whether the importer may affix a different trade mark in circumstances such as those of the present case.

40. The view that the criteria established in *Bristol-Myers Squibb* apply also to cases such as the present has the practical advantage that the national court will not be required to assess evidence of intention, a notoriously difficult element to prove, particularly so (as Paranova points out) in the case of a legal person. As I stated in my Opinion in *Bristol-Myers Squibb*:

'It would in any event be illogical and impracticable to require proof of a deliberate intention to partition the market by the use of different packaging. Such an intention might be difficult, or indeed impossible, to prove. A parallel importer who wishes to repackage goods needs to be able to determine with a reasonable degree of certainty whether he may lawfully do so. The legality of his conduct should not

42 — Paragraph 75 of the judgment.

43 — Paragraph 82.

depend on the subjective intentions of another person.' [44]

41. Although that comment was made in the context of repackaging, I consider that the argument is equally valid where the trade-mark owner has placed identical products on several markets in different Member States under different trade marks.

42. Formulating the criterion of artificial partitioning of the markets without including intention does not of course mean, however, that intention will always be irrelevant: I concur with the United Kingdom Government in the view that, if it can be shown that the trade-mark owner's practice of using different marks in different Member States was intended to partition markets, that will in itself be sufficient to preclude reliance by him on his trade-mark rights to oppose affixing of a different mark by the importer. It is not, however, in my view necessary for it to be shown that the trade-mark owner deliberately sought to partition the markets.

43. I would add that I do not in any event regard it as obvious that *American Home Products* established that it was invariably necessary to demonstrate intention: all the Court said was that where there was intention, then there was disguised restriction within the meaning of Article 36. That, as I have just explained, is in my view still the case. It does not follow from such a proposition that, where there is no intention, there can never be disguised restriction. It may be noted that, as the Commission points out, it appears to have been assumed by the Court in *Loendersloot* [45] that the test in *American Home Products* was in fact wider than has been suggested: see paragraph 28 of the judgment where the Court referred to its previous case-law including *American Home Products* as authority for the proposition that:

'Article 36 does not permit the owner of the trade mark to oppose the reaffixing of the mark where such use of his trade-mark rights contributes to the artificial partitioning of the markets between Member States and where the reaffixing takes place in such a way that the legitimate interests of the trade-mark owner are observed.'

44. What, then, of the concerns expressed by Advocate General Capotorti in *Pfizer* [46] to the effect that a requirement of intention was necessary since otherwise the proprietor of the parallel trade marks would ultimately find himself, in the light of Community law, in a position where he could never lawfully exercise his right?

44 — Paragraph 83.

45 — Cited in note 5.

46 — Cited in note 25.

45. It will be remembered that the Court in *Bristol-Myers Squibb* did not simply exclude the requirement of intention: it also reformulated the test determining whether the trade-mark owner could rely on his rights to oppose repackaging. The Court concluded that, where reliance by the owner on his trade-mark rights was justified by the need to safeguard the essential function of the trade mark, the resulting partitioning could not be regarded as artificial. [47] Thus the trade-mark owner's fundamental right to take action where the essential function of his mark is threatened is preserved. This, together with the trade-mark owner's right to oppose the marketing where it may damage the reputation of the mark should ensure that the mere fact that the proprietor has used different trade marks will not automatically preclude him from relying on his trade-mark rights to prevent a parallel importer from changing the mark. The Court's clarification in *Bristol-Myers Squibb* of what is meant by 'artificial partitioning of the markets' and its recognition of the trade-mark owner's legitimate interest in opposing marketing which may damage the mark's reputation have in my view resolved the problem identified by Advocate General Capotorti.

The requirement of necessity

46. In discussing the concept of artificial partitioning of the markets where the trade-mark owner had marketed an identical product in different packaging in different Member States, the Court in *Bristol-Myers Squibb* stated that the power of the trade-mark owner to oppose the marketing of repackaged products should be limited only in so far as the repackaging was necessary in order to market the product in the State of importation. [48] The Court reiterated that notion in *Loendersloot*, [49] where it stated that in cases involving repackaging the national courts must consider whether circumstances in the markets of their own States made repackaging objectively necessary.

47. The Commission and the United Kingdom Government have argued that the test of necessity for marketing the products in the State of import, laid down by the Court in the case of repackaging, should apply equally to cases such as the present where the trade-mark owner has marketed identical products in different Member States under different marks and the importer seeks to replace the mark used by the owner in the State of export with that used by the owner in the State of import.

48. In my view the criterion of necessity should apply to rebranding (i.e. changing the marks) as well as to the repackaging. It

47 — Paragraph 57 and operative part of the judgment.

48 — Paragraph 56 of the judgment.

49 — Cited in note 5, paragraph 38 of the judgment.

may however fall to be applied differently in the two situations.

49. Guidance as to the circumstances in which repackaging by the importer may be regarded as 'necessary' may be found in *Bristol-Myers Squibb*. The Court in its judgment in that case referred to the impossibility of marketing in the Member State of importation by reason, in particular, of rules or national practices, sickness insurance rules governing the reimbursement of medical expenses, and well-established medical prescription practices. Certainly where such circumstances also rendered marketing impossible without rebranding, rebranding would similarly be regarded as necessary: thus if any such practices or rules in the Member State of import have the effect that the importer cannot market the products under the trade mark they bear in the State of export, the trade-mark owner will not be able to rely on his trade-mark rights to prevent the importer from affixing the trade mark used by the owner for identical goods in the State of import.

50. However, there may well be circumstances in which rebranding could be regarded as justified although repackaging would not be so regarded. That distinction flows from the different contexts in which the importer will be driven to rebrand or repackage. In the case of pharmaceutical products, repackaging, as the Court suggested in *Bristol-Myers Squibb*, will frequently be needed in order to comply with rules and practices in the importing State governing in particular the quantities in which the product is normally prescribed and dispensed. In contrast, rebranding will more often be needed in order to avoid confusion in the importing State where *ex hypothesi* an identical product has previously been sold under a different mark. That purpose is of course entirely consistent with the essential function of a trade mark as a guarantee of origin.

51. In such circumstances, where the use in the importing State of the mark used in the exporting State would be liable to confuse consumers and other relevant parties such as, in the case of pharmaceutical products, pharmacists and doctors, rebranding may well be regarded as necessary. Such confusion might arise either because the mark used in the exporting State was liable to be confused with an existing mark for a different product in the importing State or because, as perhaps in this case, consumers, pharmacists or doctors were liable to be confused by the existence on the market of an identical product bearing a different, albeit similar, mark. It seems to me that the requirement of necessity would be satisfied in such cases.

52. In this connection I would refer to a point I made in my Opinion in *Bristol-Myers Squibb* concerning a specific issue

raised in one of the *Eurim-Pharm* cases.[50] In that case, the trade-mark owner used slightly different names (Sermion and Sermion forte) for the same pharmaceutical product in different Member States. In Portugal, it marketed as 'Sermion' a single version of the drug containing 10 mg of the active ingredient; in Germany, it marketed both that version as 'Sermion forte' and a weaker version, containing only 5 mg of the active ingredient, as Sermion. Eurim-Pharm imported Sermion from Portugal into Germany where it added the word 'forte' to the trade mark to denote that the goods imported from Portugal corresponded to the stronger version of the product. I stated:

'It is clear ... that Eurim-Pharm may in principle sell in Germany under the mark "Sermion" a product which the owner of that mark has placed on the market in Portugal under the mark 'Sermion'. But if that would cause confusion, since the product is twice as strong as the product known as "Sermion" in Germany, it is clearly necessary, from everyone's point of view, that Eurim-Pharm should be allowed to remove the confusion by making it clear that the product corresponds to the product known in Germany as "Sermion forte".'[51]

53. Circumstances may, however, be envisaged in which, conversely, altering the mark would be liable to create a risk of confusion, for example if the inner packaging showed one mark and the outer packaging a different mark. If it were shown that the importer's intervention would entail what I described in a different context as 'a genuine and properly substantiated likelihood of confusion'[52] as to the origin of the product, it would clearly jeopardise the essential function of the mark used by the trade-mark owner in the State of import and the owner would be entitled to oppose affixing of the mark.

54. It has been argued that the quest by the importer for a mere commercial advantage or greater marketing convenience will not fall within the concept of necessity. I do not find it helpful to postulate a category of 'purely commercial reasons' which can never fall within the concept of necessity, as the Commission seems to suggest. The decisive test is whether in a given case prohibiting the importer from rebranding would constitute an obstacle to effective access by him to the markets of the importing State. Numerous and diverse factors may give rise to impediments to market access, some of which may naturally be regarded as commercial and others not. To my mind any rigid categorisation of which specific reasons for rebranding may be regarded as necessary risks prejudicing the national court's duty to determine on a case-by-case basis whether the intervention

50 — Case C-73/94, cited in note 8.

51 — Paragraph 126 of the Opinion.

52 — Case C-251/95 *SABEL* v *Puma* [1997] ECR I-6191, paragraph 63 of the Opinion.

was necessary or not. It is of course for the national court to assess the issue of necessity. [53]

55. In general — at least where the importer is doing no more than using in the importing State the mark used by the proprietor there for identical products — the necessity test will be satisfied in the case of rebranding, since in most circumstances rebranding is consistent with the essential function of the mark because it serves to avoid confusion.

56. Whether rebranding is necessary must in my view be assessed at the time of the rebranding. It is in my view both logical and consistent with the purpose of trade marks for the lawfulness of the parallel importer's conduct, and hence the extent of the trade-mark owner's rights, to be determined by reference to circumstances obtaining at the time of that conduct. I would concur with the oral submissions made on behalf of the United Kingdom Government to the effect that the activity which constitutes an impediment to the free movement of goods is not the mere fact of having registered different trade marks, for which there may or may not have been good reasons at the time, but the taking of action by the trade-mark owner to oppose rebranding by the importer. The relevant moment for determining whether rebranding is necessary to enable the importer to market the goods in the State of import is, however, the time of the rebranding.

The relevance of other factors

57. In its third question, the national court has asked whether it has any bearing on the reply to its first question whether the trade-mark owner's use of different marks in the importing and exporting State is attributable to objective circumstances beyond his control, including, in particular, requirements of national health authorities or the trade-mark rights of third parties.

58. I have given several reasons why I do not consider it necessary, in order for the parallel importer to be able lawfully to change the trade mark in certain circumstances, for it to be shown that the trade-mark owner's practice of using different trade marks was intended to partition markets. It is to my mind equally clear that the existence of other, objective, factors which led the trade-mark owner to adopt that practice is irrelevant to determining the scope of the parallel importer's rights. As I have stated above, if a trade-mark owner were permitted to rely on his trade-mark rights in order to oppose parallel imports where there was no threat to the essential function of the mark or to its

53 — See, for example, *Loendersloot*, cited in note 5, paragraph 38 of the judgment.

reputation and where (as in the circumstances of the present case) he would be unable to do so in the absence of different marks, he would in so doing necessarily be using the marks to partition the markets. The circumstances which led him to use different marks are historical and I can see no good reason for using them as criteria for determining the lawfulness of subsequent conduct. As I stated in my Opinion in *Bristol-Myers Squibb*,

'It is most emphatically not the purpose of trade marks to help traders to divide up the common market, to maintain price differentials between different Member States and to create or reinforce artificial barriers to trade between Member States.' [54]

Further conditions

59. In sum, therefore, I consider that the criteria established by the Court in *Bristol-Myers Squibb* for determining the scope of a parallel importer's right to repackage should be extended so as to determine the scope of a parallel importer's right to change the mark. The fundamental conditions of protection of the essential function of the mark and its reputation, and the requirement of necessity, have been discussed above. The Court however laid down specific conditions in *Bristol-Myers Squibb*. Some of those conditions can in their nature apply only to repackaging; others can appropriately be applied *mutatis mutandis* to cases involving the affixing of a different trade mark. I propose to conclude by examining the conditions laid down by the Court in *Bristol-Myers Squibb* from the latter perspective. I should emphasise that it is assumed for the purposes of these proceedings that there has been full compliance by the importer with the various conditions in so far as they relate to repackaging as such.

60. The conditions laid down in *Bristol-Myers Squibb*, excluding the first requirement of contribution to the artificial partitioning of the markets which has been exhaustively discussed above, are as follows. [55]

61. First, it must be shown that the repackaging cannot affect the original condition of the product inside the packaging. The guarantee of origin means that the consumer or end user can be certain that a trade-marked product offered to him has

54 — Paragraph 73.

55 — The conditions laid down in *Eurim-Pharm* and *MPA Pharma*, both cited in note 8, were to the same effect.

not been subject at a previous stage of marketing to interference by a third person, without the authorisation of the trade-mark owner, in such a way as to affect the original condition of the product. [56]

62. It is difficult to see how that requirement could be applied to rebranding, although the Court has made it clear that, to the extent that the rebranding involves, for example, fixing adhesive labels on the inner packaging with the new mark, or inserting new instructions showing the new mark, this requirement would be satisfied. [57] Those examples would, however, in any event be regarded as repackaging.

63. Secondly, the new packaging must clearly state who repackaged the product and the name of the manufacturer in print such that a person with normal eyesight, exercising a normal degree of attentiveness, would be in a position to understand; however, it is not necessary to indicate that the repackaging was carried out without the authorisation of the trade-mark owner. The Commission has suggested that this condition should equally be applied to cases involving the affixing of a different mark, so that it must be clearly stated who replaced the mark.

64. In my view, however, it would not be appropriate to extend this condition to cases involving replacement of a trade mark. As the United Kingdom Government pointed out at the hearing, there is a risk that such a requirement would contribute to customer confusion: for example, an indication on a pharmaceutical pack to the effect that the parallel importer replaced the trade mark may cause puzzlement and concern among users. I consider that the other conditions here discussed adequately protect the interests of the trade-mark owner and the public interest.

65. Thirdly, the presentation of the repackaged product must not be liable to damage the reputation of the trade mark and of its owner. That condition must clearly apply equally to cases involving the affixing of a different mark.

66. Finally, the importer must give notice to the trade-mark owner before the repackaged product is put on sale, and, on demand, supply him with a specimen of the repackaged product. Again, that condi-

56 — *Bristol-Myers Squibb*, paragraph 47 of the judgment.

57 — *Bristol-Myers Squibb*, paragraphs 64 and 79 of the judgment.

tion can equally be applied to cases involving the affixing of a different mark. As the Court stated in *Bristol-Myers Squibb*, this requirement enables the trade-mark owner to check both that the repackaging or rebranding has not been carried out in such a way as directly or indirectly to affect the original condition of the product and that the presentation after the repackaging or rebranding is not likely to damage the reputation of the mark; it also affords the trade-mark owner a better possibility of protecting himself against counterfeiting. [58]

The burden of proof

67. In their written observations Upjohn and Paranova have raised the question who should properly bear the burden of proof in the context of rebranding.

68. In my Opinion in *Bristol-Myers Squibb* [59] I dealt in some length with the topic of the burden of proof in the context of repackaging, both under Article 36 of the Treaty and under Article 7 of the Directive. As I there indicated, the question of proof is a procedural matter and is thus governed, in accordance with the principle of procedural autonomy, by national law, [60] provided that two requirements are met: namely, that the procedural rules applicable to claims founded on Community law must not be less favourable than those governing similar actions of a domestic nature and may not be arranged in such a way as to render the exercise of rights flowing from Community law practically impossible or excessively difficult. [61] The points I made in my Opinion as to what those requirements mean for national courts applying their rules as to the burden of proof are equally valid in the context of the present case where, before concluding that the trade-mark owner may not rely on his trade-mark rights to oppose rebranding by the parallel importer, the national court must be satisfied that neither the essential function nor the reputation of the mark is threatened and that the rebranding is necessary to enable the importer to market the products in the State of importation.

58 — Paragraph 78 of the judgment. See also paragraph 87 of my Opinion.

59 — Paragraphs 100 to 106.

60 — Joined Cases 205/82 to 215/82 *Deutsche Milchkontor* v *Germany* [1983] ECR 2633, paragraphs 36 and 39 of the judgment.

61 — See, for example, Case 33/76 *Rewe* v *Landwirtschaftskammer Saarland* [1976] ECR 1989, paragraph 5 of the judgment, Case 199/82 *Amministrazione delle Finanze dello Stato* v *San Giorgio* [1983] ECR 3595, paragraphs 12 and 14, Case C-208/90 *Emmott* [1991] ECR I-4269, paragraph 16, and Joined Cases C-31/91 to C-44/91 *Lageder and Others* [1993] ECR I-1761, paragraphs 27 to 29.

Conclusion

69. For the above reasons, the questions referred by the national court should in my opinion be answered as follows:

Articles 30 and 36 of the Treaty and Article 7(1) and (2) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks mean that, where an importer imports into a Member State pharmaceutical products which have been marketed in another Member State with the consent of the trade-mark owner and replaces the trade mark under which the products were marketed in the Member State of export with the mark under which identical products are marketed in the Member State of import, the owner of the mark may rely on his trade-mark rights to prevent the importer from marketing the products in the Member State of import unless:

— such use of his trade-mark rights by the owner would contribute to the artificial partitioning of the markets between the Member States; that condition does not, however, imply that it must be established that the trade-mark owner deliberately sought to partition the markets between Member States;

— changing the mark is necessary in order to market the product in the Member State of import, in the sense that prohibiting the importer from rebranding would constitute an obstacle to effective access by him to the markets of the State of import;

— presentation of the product is not liable to damage the reputation of the trade mark and of its owner;

— the importer gives notice of the rebranding to the trade-mark owner before the rebranded product is put on sale, and, on demand, supplies him with a specimen of the repackaged product; and

— the conditions as to repackaging laid down by the Court in Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb and Others* v *Paranova* [1996] ECR I-3457 are satisfied.